THE MEASURE OF SUCCESS

CIHR IRSC

CANADIAN INSTITUTES OF HEALTH RESEARCH
ANNUAL REPORT 2011–12

Canadian Institutes of Health Research
Instituts de recherche en santé du Canada

Canada

The Canadian Institutes of Health Research (CIHR) is the Government of Canada's health research investment agency. CIHR's mission is to create new scientific knowledge and to enable its translation into improved health, more effective health services and products, and a strengthened Canadian health care system. Composed of 13 Institutes, CIHR provides leadership and support to more than 14,100 health researchers and trainees across Canada.

Canadian Institutes of Health Research
160 Elgin Street, 9th Floor
Address Locator 4809A
Ottawa, Ontario K1A 0W9
Canada
www.cihr-irsc.gc.ca

Also available on the Web in PDF and HTML formats
© Her Majesty the Queen in Right of Canada (2012)

Cat. No. MR1-2012E-PDF
ISSN 1701-9222

All people profiled in this annual report have agreed to their appearance in it and approved their individual stories.

Photo credits
Page 9 (left): Photo courtesy of TRIUMF.
Page 9 (right): Photo courtesy of Dr. Catherine Lebel.
Page 13 (right): Photo courtesy of Dr. Laurent Kreplak.

THE MEASURE OF SUCCESS

CANADIAN INSTITUTES OF HEALTH RESEARCH
ANNUAL REPORT 2011–12

CIHR IS...

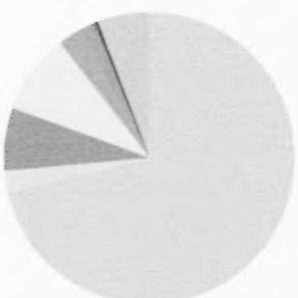
13 INSTITUTES SPANNING 4 RESEARCH THEMES

RESEARCH THEME	CIHR EXPENDITURES 2011–12
BIOMEDICAL	$ 458 million
CLINICAL	$ 130 million
HEALTH SYSTEMS / SERVICES	$ 57 million
SOCIAL / CULTURAL / ENVIRONMENTAL / POPULATION HEALTH	$ 91 million

- Applicants for CIHR funding are requested but not required to indicate the primary theme of their research. As such, the figures above do not reflect an additional $215 million in CIHR investments for which no primary theme was identified.
- Excludes operating expenditures and partner contributions.
- Includes the Canada Research Chairs (CRC), Canada Excellence Research Chairs (CERC), Networks of Centres of Excellence (NCE) and Centres of Excellence for Commercialization and Research (CECR) programs.

CIHR EXPENDITURES BY PROGRAM TYPE 2011–12

(in millions of dollars)



$ 718.6	RESEARCH GRANTS
$ 26.1	SALARY AWARDS
$ 70.3	TRAINING AWARDS
$ 88.7	CRC
$ 28.4	NCE
$ 10.2	CECR
$ 7.7	CERC
$ 0.8	OTHER
$ 58.4	OPERATING EXPENDITURES

- Other includes travel awards, exchange programs and award prizes.
- Excludes partner contributions.
- Canada Research Chairs (CRC), Canada Excellence Research Chairs (CERC), Networks of Centres of Excellence (NCE) and Centres of Excellence for Commercialization and Research (CECR).

CIHR EXPENDITURES BY REGION 2011–12

(in millions of dollars)

EXPENDITURES | NUMBER OF FUNDED NEW AND ONGOING APPLICATIONS

DIRECT PAYMENTS: **$128** | 1,412

- Includes the Canada Research Chairs (CRC), Canada Excellence Research Chairs (CERC), Networks of Centres of Excellence (NCE) and Centres of Excellence for Commercialization and Research (CECR) programs.
- Excludes operating expenditures and partner contributions.

NATIONAL AND INTERNATIONAL PARTNERSHIPS

LEVERAGED PARTNER INVESTMENTS BY SECTOR FOR NEWLY FUNDED PROJECTS IN FISCAL YEAR 2011–12

SECTOR	LEVERAGED PARTNER FUNDS (in millions of dollars)
INTERNATIONAL	$ 35.8
PRIVATE	$ 46.7
PUBLIC	$ 73.9
TOTAL	**$ 156.3**
CIHR MULTI-YEAR INVESTMENT FOR THESE PROJECTS	**$ 118.3**

- Includes leveraged partner investments associated with applications newly funded in 2011–12.
- The academic sector is included under the public sector and the voluntary sector is included under the private sector.
- Excludes leveraged funds from partner organizations that may not have a formal partnership agreement with CIHR.

LEVERAGED PARTNER CONTRIBUTIONS BY PROGRAM TYPE 2011–12

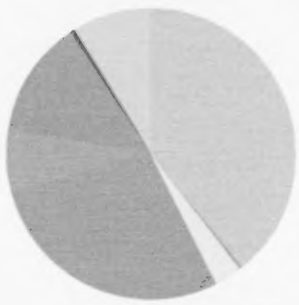
(in millions of dollars)

$ 90 CIHR PROGRAMS
$ 4 CECR
$ 30 NCE

- Partner financial contributions administered by CIHR on new and ongoing funded projects.

FUNDED GRANT APPLICATIONS WITH INTERNATIONAL LINKAGES 2011–12

(10% of total CIHR grants funded in 2011–12)



39.5% NORTH AMERICA (US ONLY)
0.1% CENTRAL AMERICA
2.9% SOUTH AMERICA
28.4% EUROPE
6.9% AFRICA
13.2% ASIA
0.1% CARIBBEAN
8.8% OCEANIA

- International linkages include funded grant applications in which the application's institution paid or research institution is outside Canada or at least one team member's primary institution affiliation or research institution is outside Canada.
- Overlap exists between categories as a funded grant application may have several international linkages.
- Excludes applications funded through award programs.

CONTENTS

President's Message	5
Invest in World-Class Research	6
Address Health and Health System Research Priorities	10
Accelerate the Capture of Health and Economic Benefits	14
Organizational Excellence, Ethics and Impact	18
Providing Stewardship and Accountability	22
Financial Statement Discussion and Analysis	27
Auditor's Report and Financial Statements	32

Dr. Elias Zerhouni (right), Chair of the 2011 International Review Panel (IRP), and CIHR President Dr. Alain Beaudet (left) discuss the findings and recommendations of the IRP at a meeting of CIHR's Governing Council.

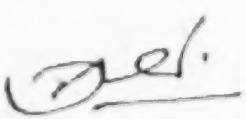
PRESIDENT'S MESSAGE

There are many different ways of defining, measuring and tracking success. In research, the complexity of projects and resulting long timelines make it difficult to trace a clear path from the first spark of an idea to the production of knowledge. Even then, it can still take years for such knowledge to reach full application in the form of a new commercialized product or new practice guidelines, to give but two examples.

The Canadian Institutes of Health Research (CIHR) takes the measurement of success seriously. In 2009–10, we released our five-year strategic plan, *Health Research Roadmap*. Since that time, we have issued annual *Roadmap* implementation reports that have evaluated our progress towards goals established by the organization. These reports evaluate our success in implementing our strategic plan and help address core questions pertinent to CIHR: Are we making the best possible investments and creating the optimal conditions for the production and translation of world-class research?

In the past year, our ongoing efforts to measure success took on an added dimension. During 2011–12, CIHR hosted the prestigious International Review Panel (IRP), led by Dr. Elias Zerhouni, former Director of the U.S. National Institutes of Health. As set out in CIHR's legislation, the IRP conducted detailed reviews of the outputs of each of CIHR's 13 Institutes, as well as a review of CIHR as a whole. The main question to be answered by the IRP was: Is CIHR truly delivering on its mission and mandate?

Overall, the IRP noted our clear progress in meeting the mandate given to CIHR by Parliament. It also produced thoughtful, considered observations as to how we should be moving forward. Many of these recommendations align closely with directions outlined in Roadmap. In the present annual report, we highlight through a few examples how CIHR actions relative to the implementation of its strategic plan link to the recommendations of the IRP.



Alain Beaudet, MD, PhD
President, Canadian Institutes of Health Research

INVEST IN WORLD-CLASS RESEARCH

ENABLING RESEARCHERS TO DO GREAT THINGS

Overall, the IRP noted our clear progress in meeting the mandate given to CIHR by Parliament.

The IRP identified a number of possible improvements to help CIHR maximize its effectiveness in helping researchers do their work. In 2011–12 CIHR took a number of steps that respond to these recommendations.[1]

LARGER GRANTS WITH LONGER TERMS, FEWER PEER REVIEW COMMITTEES

CIHR drafted and released a design discussion document outlining an ambitious plan for overhauling the open operating grant program and peer review system. The proposed changes respond directly to extensive feedback from the research community and stakeholders about these two areas. The community has posed many critical questions. What can be done to reduce the complexity in CIHR funding programs? How can CIHR programs better accommodate research across the full spectrum of our mandate, including new and emerging areas of research? How can we increase confidence in the results of the peer review system and reduce the burden on peer reviewers? The proposed changes to improve CIHR's open suite of programs and peer review system address these concerns. The changes create opportunities for increased creativity and innovation and present a scenario in which researchers spend less time writing grant applications and more time doing research.

ENHANCE THE CAREER PATHS OF YOUNG INVESTIGATORS

CIHR also responded to the need to provide extra support to young investigators. In the past fiscal year, the Government of Canada announced the second cohort of 70 Sir Frederick Banting Postdoctoral Fellowships. This exciting program has enrolled 140 of the best young brains from across Canada and around the world. Banting Fellows receive support from the program for two years to pursue innovative approaches to scientific discovery and its application. The program, administered by CIHR, fills a crucial role in helping young investigators establish their career and ensures that Canada attracts and retains top-tier postdoctoral talent.

LEAD A CANADA-WIDE EFFORT TO HARMONIZE DATA SETS AND ENABLE NATIONAL LINKAGES

Large datasets, whether they are from large-scale population-level cohort studies or from whole genome sequencing, are only widely useful if they can be aggregated, linked and optimized for sharing; researchers want the best possible data for meaningful analysis. CIHR recognizes that the current lack of data harmonization is compromising important progress across a range of health research fields. In the past fiscal year, the organization convened the first-ever national data summit to bring together stakeholders from across the research community to help develop a work plan to address data harmonization goals.

[1] The headings on the left highlight specific recommendations made in the *International Review Panel Report 2005–10*, issued June 2011. The full report can be found online at: www.cihr-irsc.gc.ca/e/31680.html.

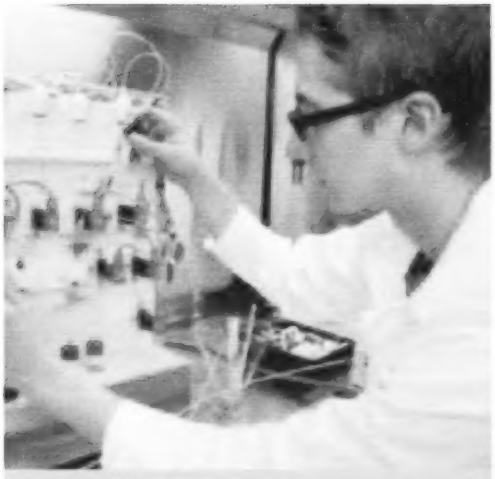
CIHR recognizes that the current lack of data harmonization is compromising important progress across a range of health research fields.

A BOLD NEW PLAN FOR HEALTH RESEARCH IN CANADA

A dramatically different model for the open suite of programs and major changes to the peer review system – CIHR is seeking feedback on these and other bold changes in the Design Discussion Document it released in February 2012. The proposed changes respond to a number of concerns voiced by CIHR stakeholders. The document proposes to revamp the open suite of programs with two distinct schemes: a Foundation/Programmatic Scheme to provide longer-term support to investigators to engage in potentially high-impact and innovative health research, and a Project Scheme to provide funding for creative proposals with defined milestones. The document also outlines proposed enhancements to the peer review process, such as creating a College of Reviewers and using technology to conduct reviews in "a virtual space."

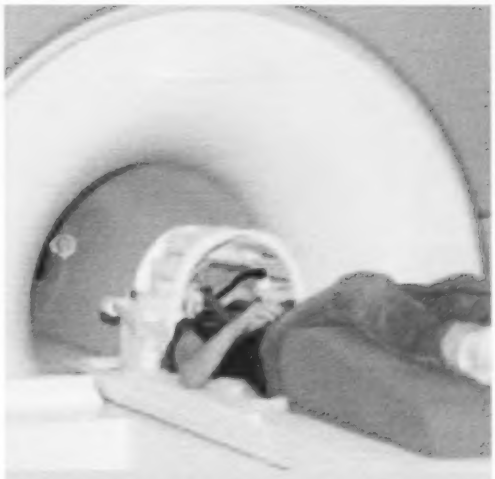
WITH SO MUCH DATA, HOW CAN RESEARCHERS SHARE RESULTS?

CIHR understands the need to address the challenges related to harmonizing research data to make it more accessible to investigators across the country and around the world. To address the challenge of data harmonization, IT experts at the CIHR-funded Canadian Longitudinal Study on Aging designed three open source software applications, named Mastodon, Sabretooth and Beartooth. The software will protect confidentiality and manage interactions with 50,000 women and men aged 45 to 85 whose health data is being collected at 3-year intervals for at least 20 years. The standardized web-based services integrate directly with open source systems already in place with OBiBa, the international software development project that promotes data harmonization and facilitates collaboration among biobanks and researchers.



A TRIUMF OF CREATIVITY AND INNOVATION – CREATING TECHNETIUM ISOTOPES ON EXISTING CYCLOTRONS

A team of researchers has found a way to produce the key medical isotope technetium-99m using cyclotrons. Tens of millions of medical procedures are conducted around the world each year using technetium-99m for detecting disease in the heart and bones, as well as elsewhere in the body. Two aging nuclear reactors, including one at Ontario's Chalk River, produce most of the global supply, but both have suffered major outages in recent years. The development will allow hospitals and clinics with existing cyclotrons – there are more than a dozen across Canada – to make the isotope. The CIHR-funded team was led by researchers at TRIUMF, Canada's national laboratory for particle and nuclear physics in Vancouver, and included scientists from the BC Cancer Agency, Lawson Health Research Institute in London, Ontario, and the Centre for Probe Development and Commercialization at McMaster University. In the photo above, TRIUMF researcher Mark Preddy assembles an automated chemistry rig that is used to purify technetium.



THE BANTING FELLOWS – THE RESEARCH LEADERS OF TOMORROW AT WORK HERE AND NOW

The Banting Postdoctoral Fellowships Program helps Canada's best postdoctoral fellows undertake creative research projects at institutions in Canada or around the world and attracts some of the world's brightest researchers to Canada. In 2011, CIHR awarded 24 fellowships, including 10 to Canadians to conduct research in other countries. For example, Banting Fellow Dr. Catherine Lebel is studying brain development in children with perinatally acquired HIV at the University of California, Los Angeles. In the photo above, one of her study participants undergoes an MRI. CIHR administers this program, which rewards emerging leaders in their fields and builds world-class research capacity, in partnership with the Natural Sciences and Engineering Research Council (NSERC) and the Social Sciences and Humanities Research Council (SSHRC).

ADDRESS HEALTH AND HEALTH SYSTEM RESEARCH PRIORITIES

ENGAGING IN STRATEGIC INITIATIVES TO CATALYZE CHANGE

CIHR's Scientific Directors, Governing Council and leading researchers have developed a set of "Roadmap Signature Initiatives" to catalyze change that can improve health and health care.

The IRP encouraged CIHR to prioritize targeted research areas and develop "key and defining strategic initiatives that can propel Canada to leadership in selected and focused areas." In the past fiscal year, CIHR has implemented a number of measures that responded to this direction. As part of these efforts, the organization has also pushed forward with initiatives specifically designed to encourage interdisciplinary research of strategic value that falls outside of CIHR's normal sphere of activity.

GREATER PLANNING EFFORTS TO DEFINE AND PRIORITIZE TARGETED RESEARCH AREAS

CIHR's Scientific Directors, Governing Council and leading researchers have developed a set of "Roadmap Signature Initiatives" to catalyze change that can improve health and health care. These initiatives build on strengths that already exist within the Canadian research enterprise and address those areas where more attention is needed. In 2011–12, a number of these initiatives reached critical milestones.

For example, CIHR launched the Community-Based Primary Health Care signature initiative to prioritize community-based primary care research and speed the translation of knowledge gained from that research into smarter practices and policies. In January 2012, Health Minister Leona Aglukkaq announced funding to support teams of researchers and decision makers to conduct research in two areas: chronic disease prevention and management, and access to care for vulnerable populations such as children, seniors, the poor and Aboriginal communities.

Another CIHR Roadmap Signature Initiative, the Canadian Epigenetics, Environment and Health Research Consortium is connecting existing resources and expertise to accelerate the translation of epigenetic discoveries into new diagnostic procedures and therapies. In 2011–12, the Consortium launched a number of competitions worth a total of $25.4 million.

EXPANDED SUPPORT OF CLINICAL AND TRANSLATIONAL RESEARCH

In the past fiscal year, Health Minister Leona Aglukkaq officially launched the national Strategy for Patient-Oriented Research (SPOR). SPOR is a transformative initiative that will greatly enhance the support of clinical and translational research in Canada. Better integration of research evidence and clinical practice will mean improved health outcomes and a better health care system in Canada.

CATALYZE NEW AREAS OF RESEARCH BEYOND CIHR'S CURRENT KNOWLEDGE DOMAINS

In 2011–12, CIHR leveraged a number of partnerships to provide discipline-bending opportunities. One example involved new funding and opportunities available through Canada's participation in the Human Frontier Science program. The program supports cutting-edge projects at the intersection of a number of different domains, blending health research with physical and computational sciences. Since 1990, the program has funded 18 talented scientists who have gone on to win Nobel Prizes in Physiology or Medicine, Chemistry and Physics. Also in 2011–12, CIHR's Roadmap Signature Initiative on Personalized Medicine established a major collaboration with Genome Canada. The venture, worth $135 million with matching regional partnerships, will support multidisciplinary research in personalized medicine. The field has the potential to transform the delivery of health care from a reactive, "one-size-fits-all" system to a system of predictive, preventive and precision care.

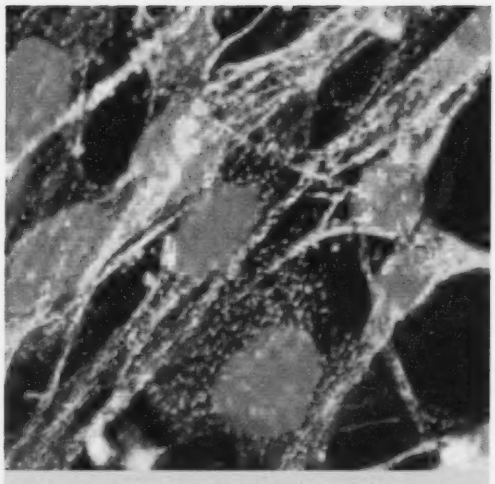
MEDICINE – DON'T JUST MAKE IT BETTER, MAKE IT PERSONAL

To launch its Personalized Medicine Signature Initiative, CIHR announced its participation in the launch of a funding competition for large-scale genomics projects. The competition, conducted in partnership with Genome Canada, will fund major projects to help improve the ability to prevent, diagnose and treat diseases and realize significant social and economic benefits. Successful projects must secure matching funding from other sources and engage end-users to ensure results have clinical utility or application. Eight of CIHR's Institutes are participating in this competition. This funding will help support the work of researchers such as Dr. François Rousseau at Laval University, who is using computer models to identify the most cost-effective and compassionate strategies for prenatal screening for genetic disorders.

PRESS "P" FOR PATIENT – DELIVERING PATIENT-ORIENTED RESEARCH

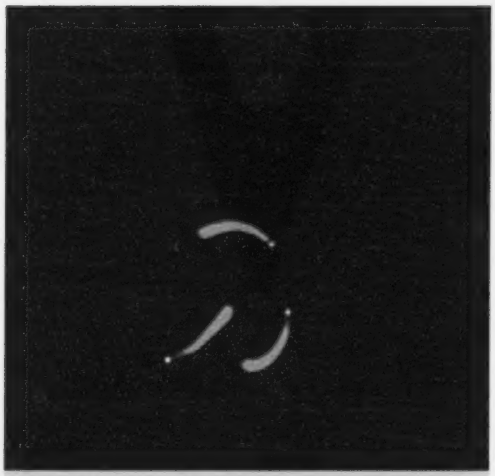
Health Minister Leona Aglukkaq (pictured above) officially launched the Strategy for Patient-Oriented Research (SPOR), in August 2011. SPOR is a pan-Canadian partnership involving health researchers and professionals, policy makers and patients. Later in the fiscal year, SPOR reached a milestone with the first meeting of its National Steering Committee, co-chaired by CIHR President Alain Beaudet and Dr. Robert S. Bell, President and Chief Executive Officer of the University Health Network. The Steering Committee includes representatives from all levels of government, private sector organizations, health charities, health science networks, universities and patient advocacy groups. Two key elements of SPOR, Research and Knowledge Translation Networks and Support for People and Patient-Oriented Research and Trials (SUPPORT) units are set for launch later in 2012.

Personalized medicine has the potential to transform the delivery of health care from a reactive, "one-size-fits-all" system to a system of predictive, preventive and precision care.



NEW RESULTS IN THE FIGHT AGAINST CHILDHOOD CANCERS AND RARE DISEASES

Researchers led by McGill University's Dr. Nada Jabado, project co-leader for the Canadian Pediatric Cancer Genome Consortium (CPCGC), identified two genetic mutations responsible for up to 40% of glioblastomas in children. Glioblastomas (pictured above) are a fatal cancer of the brain that is unresponsive to chemo and radiotherapy treatment. The Finding of Rare Disease Genes in Canada (FORGE Canada) consortium, focused on rare health conditions in children, has identified 21 genes, 13 of which are novel genes not previously linked to human disease. Both groups were created to identify genes behind the most challenging cancers and rare health conditions in children. They are already making discoveries that could change how pediatric diseases are treated. CIHR, Genome Canada, Genome BC and Génome Québec have provided funding for the consortia.



REDRAWING THE FRONTIERS OF SCIENCE

CIHR strengthened its bond with the Human Frontier Science Program (HFSP). Between 2011–12 and 2013–14, CIHR will contribute approximately $3.8 million to the prestigious program. The Human Frontier Science Program supports international collaboration between life sciences and the physical, chemical and mathematical sciences to provide new approaches and insights into biological problems. The HFSP has been highly beneficial to Canada: more than 175 Canadians have been trained abroad through long-term Frontier fellowships, and more than 120 Canadian faculty members have won grants for international collaborations. The image above, from the lab of HFSP Young Investigator Dr. Laurent Kreplak at Dalhousie University, shows a nano-indentation test of actin gels (red) grown on polystyrene beads (white). Actin molecules drive the movement of cells during processes such as embryonic development and tumour metastasis.

ACCELERATE THE CAPTURE OF HEALTH AND ECONOMIC BENEFITS

EMPOWERING THE TRANSFORMATION OF IDEAS INTO APPLICATIONS

In 2011–12, CIHR took important steps to better help researchers translate their discoveries into useful products, practices and policies that can improve health and health care services.

The 2011 IRP evaluation report acknowledges that CIHR's mandate is not limited to enabling the creation of new knowledge through health research; it extends to advancing "practical applications" of that new knowledge for the benefit of all Canadians.

ENHANCE INDUSTRY RELATIONSHIPS AND OPPORTUNITIES FOR CANADA

CIHR strengthened the Collaborative Health Research Projects Program it co-funds with the Natural Sciences and Engineering Research Council (NSERC) to support investigations that combine natural sciences or engineering with health sciences. CIHR and NSERC now provide base funding of $20.4 million annually – up from $13.8 million in previous years – to collaborative research teams that have partnered with a knowledge/technology user who will benefit from the research results. The projects, which are usually three-year terms with fixed milestones, must lead to health benefits, more effective health services or economic development in health-related fields.

Other examples of long-term, sustainable CIHR programs dedicated to providing crucial support to improve knowledge translation and commercialization include: proof of principle grants that provide almost $5 million annually for research projects of up to 12 months duration to translate discoveries into commercially viable technologies; and industry-partnered collaborative research grants – currently totaling $7.5 million a year – to fund collaborative projects involving the academic community and industry R&D partners.

IMPROVE KNOWLEDGE TRANSLATION BETWEEN RESEARCHERS, THEIR INSTITUTIONS, CIHR AND THE PUBLIC AT ALL LEVELS

In 2011–12, CIHR took important steps to better help researchers translate their discoveries into useful products, practices and policies that can improve health and health care services.

By expanding the eligibility requirements and funding levels of the Knowledge Translation Supplement Program – making it available to investigators engaged in research funded through other peer-reviewed sources and boosting the supplement from $40,000 to $100,000 – CIHR is demonstrating its commitment to integrating knowledge translation into the undertaking of research.

CIHR is demonstrating its commitment to integrating knowledge translation into the undertaking of research.

RESPONDING TO PUBLIC CONCERNS OVER MULTIPLE SCLEROSIS

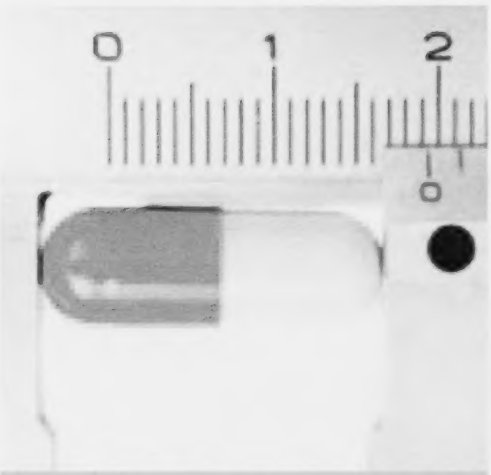
CIHR moved quickly and thoroughly to address and investigate public concern over reports linking multiple sclerosis (MS) with abnormalities in blood flow from the brain – a condition called chronic cerebrospinal venous insufficiency (CCSVI). CIHR and the Multiple Sclerosis Society of Canada launched a request for proposals for a clinical trial to establish the safety of venous angioplasty and examine what impact the procedure has on MS patients. This follows through on recommendations made by CIHR's Scientific Expert Working Group on CCSVI and the Multiple Sclerosis Society.

GETTING POLICY MAKERS AND RESEARCHERS ON THE SAME PAGE

In partnership with Health Canada, CIHR launched an exciting new program in 2011 to give highly qualified researchers the opportunity to learn first-hand about health policy development. The Science Policy Fellowships are intended to help foster positive exchange between scientists and policy makers and increase academic researchers' involvement in public policy. The program will increase science-policy integration while providing expert support to Health Canada's policy makers as they confront increasingly complex scientific and technical issues. The first three Science Policy Fellows started their six-month assignments in December 2011 and January 2012. Jason Millar of Queen's University (pictured above) is bringing his experience in clinical ethics, engineering and applied philosophy to bear on policy questions surrounding eHealth technologies as Canada implements its eHealth strategy. During his fellowship, he is researching patient engagement strategies using patient-centred eHealth technologies.

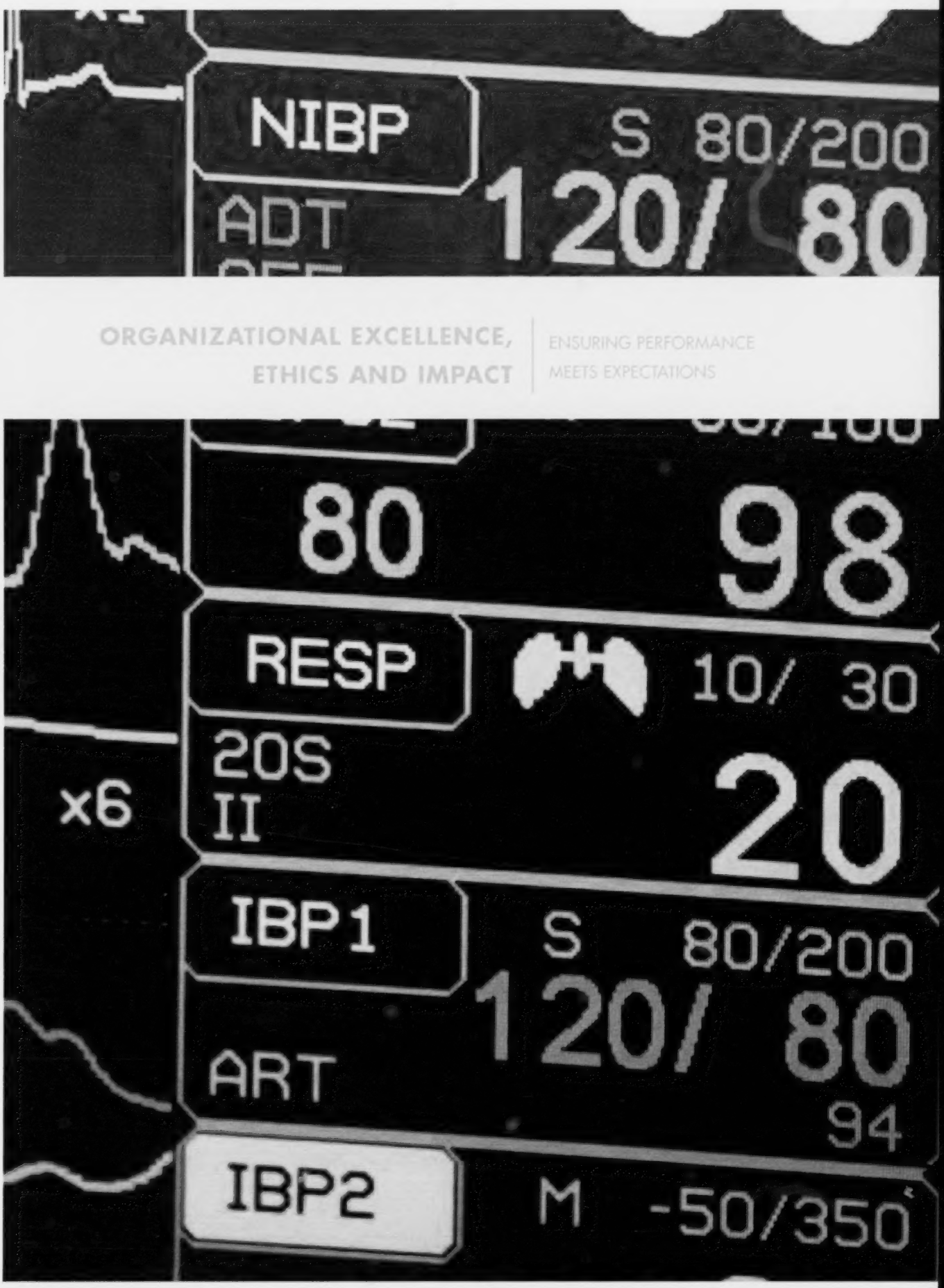
KT GRANT SENDS MORE CARDIAC PATIENTS TO REHAB PROGRAMS THAT CUT MORTALITY RATE

Working at three Toronto-area hospitals, a team led by York University's Dr. Sherry Grace is using a CIHR Knowledge Translation Supplement Grant to increase uptake of a best-practice "automatic and liaison-facilitated" strategy. The team demonstrated that the strategy was capable of producing an eight-fold increase in patient referrals to cardiac rehabilitation. Studies have shown that cardiac rehabilitation can reduce morbidity and mortality by approximately 25% over one to two years compared with usual care. Early results at three sites show significant improvement in uptake of the strategy, with some units achieving 60% referral rates.



CUTTING THE TIME NEEDED TO START CLINICAL TRIALS

Clinical trials are absolutely vital to preventing, managing and curing disease. However, the lack of a common contract template – a standardized form to enable health care institutions and pharmaceutical companies to work together on research projects – has been an impediment to staging major clinical trials in Canada. A year-and-a-half-long conciliation effort with the Association of Canadian Academic Healthcare Organizations and Rx&D, the association of Canada's research-based pharmaceutical firms, led to the creation of a Model Clinical Trial Agreement, unveiled in September 2011. A clinical trials template was made available on CIHR's website, with changes to be made as needed, to enable industry and academia to more easily collaborate in clinical trials.



ORGANIZATIONAL EXCELLENCE, ETHICS AND IMPACT

ENSURING PERFORMANCE MEETS EXPECTATIONS

In the past fiscal year, CIHR moved on a number of fronts to increase the level of patient, public and citizen engagement in processes related to health research.

Measuring the impacts of health research is, as the IRP declared, extremely difficult. The 1961 discovery of stem cells by Canada's Dr. James Till and Dr. Ernest Armstrong McCulloch provided the seed that grew into the successful bone marrow transplantation program at Princess Margaret Hospital, an 11-year process. More telling, 50 years later, we are still reaping the benefits with advances in stem cell science made by Canadian researchers such as Drs. John Dick and Mick Bhatia.

But while the gathering of data to assess the outcomes of research is a complicated and demanding task, it is vital that CIHR demonstrate how the work it funds is having real and tangible impacts. In the past fiscal year, CIHR has moved to implement a number of measures to improve evaluation.

DEVELOP A COMPREHENSIVE SET OF METRICS AND ROBUST EVALUATION STRATEGY

The health research enterprise has changed dramatically, and funding organizations need to be able to quickly analyze large amounts of performance data to make sure that investments are focused in the right area and that the organization as a whole is meeting its mandate. Just as CIHR is committed to research evidence in health care, so too are we focused on making investment decisions grounded in the best possible measures of success.

The first step in this process was creating improved access to and awareness of research results by CIHR-funded researchers. In the past fiscal year, 214 manuscripts were published on PubMed Central (PMC) Canada. All of these papers were directly linked to one or more CIHR grants. PMC Canada attracted strong interest from users in 2011–12 as the site recorded 2,287,929 downloads, double the number from the previous year.

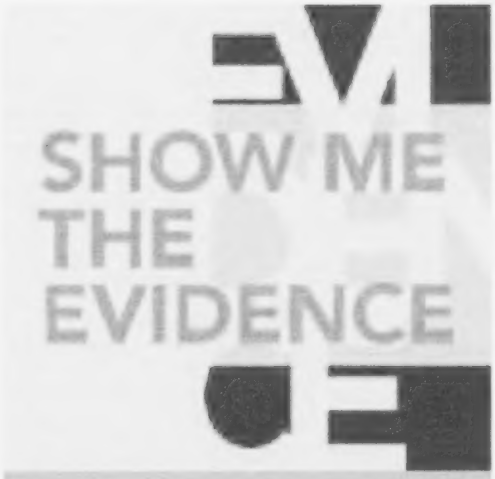
Another important step has been the internal reorganization and consolidation of CIHR evaluation and performance management functions, which took place near the end of the fiscal year. We have created the necessary infrastructure to feed and inform this evaluation function. This included the introduction of the new Research Classification System, replacing an earlier framework nearly 20 years old, and the new Research Reporting System.

INCREASE PUBLIC AND PATIENT PARTICIPATION IN ALL PROCESSES

In the past fiscal year, CIHR moved on a number of fronts to increase the level of patient, public and citizen engagement in processes related to health research. CIHR put the finishing touches on its comprehensive new Citizen Engagement Strategy. We continued to organize and present the popular Café Scientifique public outreach series to bring researchers and research results directly to Canadians. In 2012, the program will celebrate a milestone – its 500th Café. CIHR also launched a new publication and online presence called *Show me the Evidence*, a regular roundup of stories describing the application of CIHR-funded research results. And finally, the new Strategy for Patient-Oriented Research will result in additional and much-needed engagement of patient groups.

DEVELOPING NEW SYSTEMS TO EVALUATE RESEARCH

After consulting with Canadian and international funding agencies, in 2011–12 CIHR began introducing the new Research Classification System to replace the one first adopted in 1995 by the Medical Research Council. To be implemented in the summer of 2012, the new system reflects the full spectrum of health research that CIHR funds. It will assist in creating a better match between research funding applications and appropriate peer reviewers, and will simplify the process for comparing CIHR programs with those of other funding organizations. The new system will also make it easier to categorize expenditures by specific research areas, identify research expertise and recruit experts.



P-U-B-L-I-C – SHARING RESEARCH SUCCESS STORIES WITH CANADIANS

In the fall of 2011, CIHR unveiled *Show me the Evidence*, a new publication to showcase research that is directly contributing to improved health and health care. Available in print as well as in electronic platforms such as Facebook, YouTube and the CIHR website, the newsmagazine profiles outstanding researchers who have succeeded in integrating their findings and discoveries into clinical practice or health policy. By highlighting research results, *Show me the Evidence* acts as a vehicle for knowledge translation. CIHR has also produced an illustrated booklet called *Health Research in Canada and You* to provide an easily accessible overview of its activities to anyone who wants to know more about health research and learn how to become involved in it.

Just as CIHR is committed to research evidence in health care, so too are we focused on making investment decisions grounded in the best possible measures of success.

ENSURING THE PROPER CONDUCT OF RESEARCH

The new Tri-Agency Framework: Responsible Conduct of Research updates and replaces previous policies that set out research standards. The Framework, launched by CIHR, NSERC and SSHRC in 2011–12, makes sure that integrity is maintained across the continuum of research – from applying for funds to disseminating results. To ensure a coherent, uniform approach to promoting research responsibility and to address any allegations of policy breaches that arise, the three agencies created the Panel on Responsible Conduct of Research.

RESULTS WANTED! DESCRIBE ONLINE

To gather stronger evidence on the effectiveness of its funding programs, in 2011–12 CIHR began requesting that investigators submit the results of their work through the new Research Reporting System. The system will strengthen CIHR's accountability to the Government of Canada and all Canadians for the funds it provides for health research. Principal investigators will have 18 months after the end of each grant period to complete their reports, with CIHR providing ongoing support to assist them in the task. Data collected will help demonstrate the impacts that CIHR-funded research is having.

PROVIDING STEWARDSHIP AND ACCOUNTABILITY

CIHR GOVERNING COUNCIL

CIHR reports to Parliament through the Minister of Health. Its Governing Council comprises 18 Canadians who have been appointed by Order in Council to renewable three-year terms. Council members represent a wide range of backgrounds and disciplines, reflecting CIHR's broad mandate and vision.

CIHR INSTITUTES

CIHR is composed of 13 innovative Institutes. These Institutes bring together all partners in the research process – those who fund research, those who carry it out and those who use its results – to share ideas and focus on what Canadians need: good health and the means to prevent and fight diseases when they happen.

Each Institute is headed by a Scientific Director who is a leader in his or her field. Scientific Directors receive guidance from their Institute Advisory Boards, made up of volunteers from all areas of the health research community.

CIHR EXECUTIVE MANAGEMENT TEAM

CIHR's Executive Management Team provides leadership and decision making for strategic, corporate policy and management areas that support and contribute to the strategic directions set out by the Governing Council.

GOVERNING COUNCIL

Dr. Alain Beaudet
(Chair)
President
Canadian Institutes of Health Research

Mr. Keith G. Anderson
Senior Policy Advisor and Health Management Consultant
British Columbia

Dr. James Brien
Professor of Pharmacology and Toxicology
Queen's University

Dr. Nadine Caron
(Since Sept. 29, 2011)
Assistant Professor
Northern Medical Program
University of British Columbia

Dr. Harvey Max Chochinov
Canada Research Chair in Palliative Care
Professor of Psychiatry
University of Manitoba and CancerCare Manitoba

Ms. Maura Davies
(Since June 23, 2011)
President and Chief Executive Officer
Saskatoon Health Region

Dr. Brett B. Finlay
Professor
Michael Smith Laboratories
Department of Biochemistry and Molecular Biology
University of British Columbia

Mr. Martin LeBlanc
(Since June 23, 2011)
President and CEO of Caprion Proteomics
Montreal, Quebec

Dr. Nicole Letourneau
Professor
Faculty of Nursing
University of Calgary

Dr. Christopher W. Loomis
Vice-President (Academic) *Pro Tempore*
Memorial University of Newfoundland

Dr. Patrick John McGrath
Canada Research Chair
Vice-President Research
IWK Health Centre
Professor of Psychology, Pediatrics and Psychiatry
Dalhousie University

Dr. Bernard Prigent
Vice-President and Medical Director
Pfizer Canada
Montreal, Quebec

Dr. Ray Rajotte
Professor of Surgery and Medicine
Director
Surgical-Medical Research Institute
Director
Islet Transplantation Group
University of Alberta

Dr. Janet Rossant
Chief of Research
Hospital for Sick Children
Professor
Department of Medical Genetics and Microbiology
University of Toronto

Dr. Robert S. Sheldon
(Non-Voting)
Professor of Cardiac Sciences, Medicine and Medical Genetics
Associate Dean of Clinical Research
University of Calgary
Vice-President Research
Calgary Health Region

Mr. H. Arnold Steinberg
(Vice-Chair)
Chancellor, McGill University

Ms. Glenda Yeates
(Ex Officio, Non-Voting)
Deputy Minister
Health Canada

CIHR INSTITUTES

CIHR INSTITUTE OF ABORIGINAL PEOPLES' HEALTH (CIHR-IAPH)

Dr. Malcolm King
University of Alberta

CIHR-IAPH fosters the advancement of a national health research agenda to improve and promote the health of First Nations, Inuit and Métis peoples in Canada through research, knowledge translation and capacity building. Our pursuit of research excellence is enhanced by respect for community research priorities and Indigenous knowledge, values and cultures.

CIHR INSTITUTE OF AGING (CIHR-IA)

Dr. Anne Martin-Matthews
(until August 2011)
University of British Columbia

Dr. Yves Joanette
(since August 2011)
University of Montreal

As Canada's population ages, there is a growing need to transform longer life expectancy into optimal health and to improve care for elderly people facing health challenges. That is why CIHR-IA supports a wide range of health research, including initiatives on mobility in aging, health systems and services for an aging population, and the International Collaborative Research Strategy on Alzheimer's Disease and related disorders. We aim to facilitate the exchange of new knowledge around the challenges and the opportunities of caring for our aging population.

CIHR INSTITUTE OF CANCER RESEARCH (CIHR-ICR)

Dr. Morag Park
McGill University

CIHR-ICR supports cancer research based on internationally accepted standards of excellence, which bears on preventing and treating cancer and improving the health and quality of life of cancer patients and survivors across Canada. Our strategic research priorities span the continuum of cancer and currently focus on the following: lifestyle, environment and cancer; diagnosis and guided therapy, towards personalized medicine; cancer initiation and progression; and survivorship.

CIHR INSTITUTE OF CIRCULATORY AND RESPIRATORY HEALTH (CIHR-ICRH)

Dr. Jean L. Rouleau
University of Montreal

Heart, lung and blood vessel diseases are the major health burdens facing Canadians – yet if we understood how our genes, the environment and our behaviour interplay to cause these common illnesses, they might be preventable. Furthermore, advances in knowledge and technology have the potential for improving our ability to prevent, diagnose and treat these conditions. CIHR-ICRH is dedicated to supporting career development, research infrastructure and excellence in research programs and projects toward achieving these goals.

CIHR INSTITUTE OF GENDER AND HEALTH (CIHR-IGH)

Dr. Joy Johnson
University of British Columbia

CIHR-IGH fosters research excellence regarding the influence of gender and sex on the health of women and men throughout life, and applies these research findings to identify and address pressing health challenges. Accounting for gender and sex in health research supports the design of interventions and programs to improve the health of *everybody*.

CIHR INSTITUTE OF GENETICS (CIHR-IG)

Dr. Paul Lasko
McGill University

CIHR-IG supports research on the human and other genomes and on all aspects of genetics, basic biochemistry and cell biology. New advances in genetics and genomics, and in the understanding of how cells work, pose challenges to our health care system and often raise complex ethical, legal and social issues. CIHR-IG is addressing these challenges to develop solutions that benefit Canadians.

CIHR INSTITUTE OF HEALTH SERVICES AND POLICY RESEARCH (CIHR-IHSPR)

Dr. Robyn Tamblyn
McGill University

CIHR-IHSPR is helping the country meet the challenge of making high-quality health care available to all those who need it, when and where they need it, while also ensuring that Canada's health care system is responsive, efficient and sustainable. We do so by fostering research excellence and innovation, supporting the brightest minds and catalyzing the application of research findings to policies, practices and programs that provide real-world benefits.

CIHR INSTITUTE OF HUMAN DEVELOPMENT, CHILD AND YOUTH HEALTH (CIHR-IHDCYH)

Dr. Michael Kramer
(until January 2012)
Montreal Children's Hospital
McGill University

Dr. Shoo Lee
(since January 2012)
University of Toronto

CIHR-IHDCYH promotes and supports research that improves the health and development of mothers, infants, children, youth and families in Canada and throughout the world. Through our support, researchers address a wide range of health concerns, including those associated with reproduction, early development, childhood and adolescence.

CIHR INSTITUTE OF INFECTION AND IMMUNITY (CIHR-III)

Dr. Marc Ouellette
Laval University

Through our strategic initiatives, CIHR-III supports research and helps to build research capacity in the areas of infectious disease and the immune system. Our programs address a wide range of health concerns including antibiotic resistance, the human microbiome, hepatitis C, HIV/AIDS, pandemic influenza, transplantation, inflammation in chronic disease and vaccine technologies. These initiatives focus on various aspects of disease development and progression mechanisms, disease prevention and treatment and health promotion through public policy.

CIHR INSTITUTE OF MUSCULOSKELETAL HEALTH AND ARTHRITIS (CIHR-IMHA)

Dr. Jane E. Aubin
(until July 2011)
University of Toronto

Dr. Phillip Gardiner
Interim Scientific Director
(since July 2011)
University of Manitoba

Move It or Lose It! Musculoskeletal (MSK) health, including muscle, joint and bone health, is dependent on optimal amounts of physical activity. MSK disorders such as osteoporosis and arthritis can limit mobility and ability to be physically active, creating a vicious circle of inactivity and MSK degeneration. CIHR-IMHA is working to better understand and treat MSK (including skin and oral) diseases and injury and to improve the health of Canadians by focusing on our flagship theme of physical activity.

CIHR INSTITUTE OF NEUROSCIENCES, MENTAL HEALTH AND ADDICTION (CIHR-INMHA)

Dr. Anthony Phillips
University of British Columbia

From diseases of the central nervous system, to addiction, to mental ill health, to the five senses through which we interpret the world, CIHR-INMHA is concerned with discovering how the brain works and with seeking new ways of using this knowledge to improve the treatment of brain-related illnesses, which are recognized internationally as leading causes of life-long disability.

CIHR INSTITUTE OF NUTRITION, METABOLISM AND DIABETES (CIHR-INMD)

Dr. Philip Sherman
University of Toronto

CIHR-INMD supports research that addresses the causes, prevention, screening, diagnosis, treatment and palliation of a wide range of conditions associated with hormone, digestive system, kidney and liver function. CIHR-INMD has identified four strategic priorities that will guide the Institute from 2010 to 2014: food and health; continuum of care; environments, genes and chronic disease; and seeking solutions to obesity.

CIHR INSTITUTE OF POPULATION AND PUBLIC HEALTH (CIHR-IPPH)

Dr. Nancy Edwards
University of Ottawa

CIHR-IPPH supports innovative research and knowledge translation to understand the processes, system elements and impacts of multi-level program and policy interventions on health improvements in Canada and globally. This renewed focus requires researchers and other stakeholders to explore pathways to health equity and population health ethics so that all people can reach their full health potential regardless of gender, race or socioeconomic status.

EXECUTIVE MANAGEMENT TEAM

Dr. Alain Beaudet
President

Ms. Christine Fitzgerald
Executive Vice-President

Dr. Ian Graham
Vice-President, Knowledge Translation and Public Outreach

Dr. Kelly VanKoughnet
Acting Vice-President, Research
(April – July 2011)

Dr. Jane E. Aubin
Chief Scientific Officer
Vice-President, Research
(since July 2011)

Mr. James Roberge
Chief Financial Officer
Vice-President, Resource Planning and Management

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

DISCLAIMER

This Financial Statement Discussion and Analysis (FSD&A) should be read in conjunction with the Canadian Institutes of Health Research (CIHR) annual audited financial statements and accompanying notes for the year ended March 31, 2012.

The responsibility for the integrity and objectivity of the FSD&A for the year ended March 31, 2012, and all information contained in the financial statements rests with the management of CIHR.

HIGHLIGHTS

1. STATEMENT OF FINANCIAL POSITION

Condensed Statement of Financial Position (in millions of dollars)

As at March 31	% Change	2012	2011
Total liabilities	-34.9%	$ 15.1	$ 23.2
Total financial and non-financial assets	-20.8%	$ 14.5	$ 18.3

These corresponding decreases resulted directly from the following:

- CIHR's severance termination provisions and related adjustment, resulting in a decreased liability of $5.6M;
- A reduction in CIHR's operating expenditures to ensure control over expenditures in 2011–12, resulting in a decreased liability of $1.3M;
- Recognition of $3.3M of additional revenues in 2011–12, whereby CIHR disbursed funds on behalf of external parties to fund additional health research grants and awards, resulting in a decreased liability of $1.2M;
- The reductions in liabilities noted above also had a pervasive effect on financial and non-financial assets.

2. STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION

Condensed Statement of Operations and Departmental Net Financial Position (in millions of dollars)

As at March 31	% Change	2012	2011
Total expenses	-1.9%	$ 1,020.5	$ 1,040.0
Net cost of operations before government funding	-2.2%	$ 1,005.7	$ 1,028.6

These corresponding decreases are mostly attributable to the 1.4% decrease in Parliamentary authorities provided by the Government of Canada following the 2008 Strategic Review exercise.

ANALYSIS

3. RISK AND UNCERTAINTIES

CIHR understands the importance of risk management and has integrated risk management considerations into its strategic and operational planning, business processes and decision making. CIHR has a risk management framework that sets out how CIHR identifies, assesses and mitigates risk. As per the 2011–12 and 2012–13 Reports on Plans and Priorities, CIHR has identified five primary risks, as follows:

3.1. HEALTH RESEARCH ROADMAP IMPLEMENTATION

There is a risk that CIHR will be unable to fully deliver on the strategic directions outlined in the *Health Research Roadmap* within the defined timeframe, including risks that internal and external stakeholders will not understand or support the proposed changes and that ongoing operational requirements and competing priorities may prevent the resources from being focused on the implementation of the strategy.

To mitigate this risk, CIHR developed a three-year rolling plan for *Health Research Roadmap* implementation. The plan will ensure alignment with *Roadmap* of operational activities including internal and external stakeholder engagement.

3.2. KNOWLEDGE TRANSLATION

Given CIHR's lack of direct control over all the factors that influence the uptake and use of research, there is a risk that CIHR may not be able to fully achieve the knowledge translation (KT) component of its mandate and improve the health of Canadians through health research.

To mitigate this risk, CIHR has developed KT strategies for all CIHR institutes and initiatives. CIHR has also established a core suite of KT programs and will monitor progress on KT activities and outcomes.

3.3. RESULTS MANAGEMENT AND MONITORING

Performance reporting and evaluation are time-consuming, costly and at times burdensome to target audiences. There is a risk that CIHR will be unable to adequately and efficiently evaluate and report on its performance as well as the results of funded research, which could compromise our ability to be accountable to Canadians.

To mitigate this risk, CIHR will refresh its performance measurement frameworks and activities at all levels (programs, initiatives and operations). This will improve CIHR's ability to track and monitor performance outcomes related to research and operational activities.

3.4. INSTITUTE ORGANIZATIONAL MODEL

Due to the institute virtual organizational model, there is a risk of disruptions and corporate memory loss during transitions that may compromise the Institutes' ability to achieve planned outcomes or their mandate in support of CIHR's strategic objectives.

To mitigate this risk, management has implemented an institute transition plan and renewal schedule. In addition, an on-going process has been established to assess the performance of Scientific Directors.

3.5. BUDGETING

There is a risk that CIHR funds are not appropriately allocated to support the achievement of its strategic outcomes; that CIHR's planned staffing, project and programming activities exceed available funding, resulting in key planned activities and initiatives not being realized; and that funding via an annual appropriation may make it difficult for CIHR to plan and resource longer term activities and strategies, which in turn may limit CIHR's ability to initiate new programs that are required to achieve impact.

Research takes time and a sustained investment. A large portion of CIHR's budget is committed to grants and awards that extend over three to five years. CIHR is continually challenged by the need to provide this longer-term funding while maintaining its capacity to fund new projects.

To mitigate these risks, CIHR has established an integrated operational planning process and a vacancy management process and has introduced investment modelling to better forecast the future impacts of funding decisions and the concept of "steady-state" dynamics to ensure relative stability in the number of applications funded and success rates over time. CIHR will continue to track and monitor performance outcomes related to research and operational support activities.

4. VARIANCE ANALYSIS

4.1. VARIANCES BETWEEN CURRENT YEAR ACTUAL RESULTS AND BUDGET

CIHR is financed by the Government of Canada through Parliamentary authorities. In 2011–12, CIHR was provided with $1,015.2M of Parliamentary authorities, a decrease of $14.7M (or 1.4%) as compared to 2010–11. The Government of Canada provided CIHR with reduced Parliamentary authorities in 2011–12, as follows:

Parliamentary Authorities (in millions of dollars)		**2011–12**
Incremental reductions – 2008 Strategic Review exercise		
Open Team Grant program	$	(22.1)
Incremental reductions due to the sunsetting of programs		
Canada Graduate Scholarship program		(8.0)
Pandemic Preparedness Strategic Research Initiative		(6.5)
Strategy for Patient-Oriented Research		15.0
Vanier Canada Graduate Scholarships		2.8
Canada Excellence Research Chairs		3.8
Other		0.3
Total reduction in Parliamentary Authorities	**$**	**(14.7)**

The foregoing 1.4% decreases in Parliamentary authorities paralleled the corresponding decreases in total Parliamentary authorities used by CIHR (1.7%), grants and awards expenses (1.5%) and the net cost of operations (2.2%).

4.2. VARIANCES BETWEEN CURRENT YEAR ACTUAL RESULTS AND PRIOR YEAR ACTUAL RESULTS

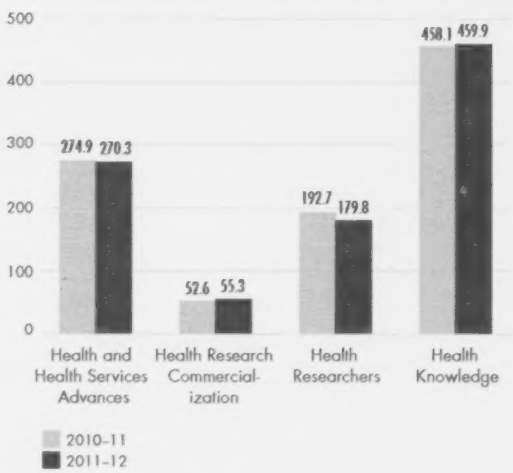
Segmented Information (in millions of dollars) (Refer to note 12 of the financial statements)

As at March 31	% Change	2012	2011
Grants and awards	-1.3%	$ 965.3	$ 978.3
Total operating expenses	-7.4%	$ 61.0	$ 65.9

Grants and awards decreased by 1.3% (or $13M) primarily due to reduced expenditures within the Health Researchers program activity (the largest per cent attributable to the Canada Graduate Scholarship program) and the Health and Health Services Advances program activity (particularly due to the sunsetting of the Pandemic Preparedness Strategic Research Initiative) as displayed in the chart at right.

Total operating expenses decreased by 7.4% (or $4.9M) primarily due to decreased professional and special services ($3.1M) and employee salaries and benefits ($1.8M), as CIHR established an integrated operational planning process and a vacancy management process to implement fiscal restraint measures.

GRANTS AND AWARDS BY PROGRAM ACTIVITY
(in millions of dollars)

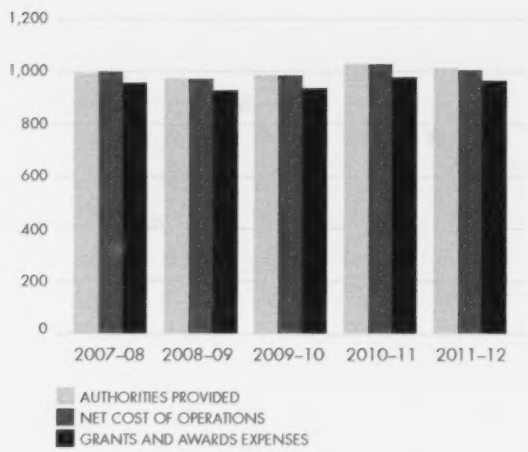


5. TREND ANALYSIS

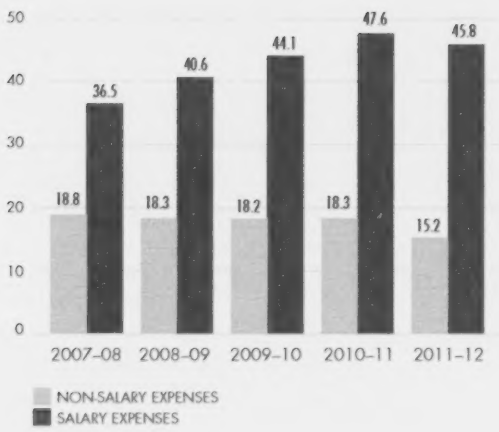
5.1. GRANTS AND AWARDS (G&A)

- As evidenced by the chart at right, net cost of operations and grants and awards expenses increase or decrease on a yearly basis in relative proportion to changes in the Parliamentary authorities provided to CIHR by the Government of Canada.

CIHR NET COST OF OPERATIONS AND GRANTS AND AWARDS EXPENSES
(in millions of dollars)



OPERATING EXPENSES
(in millions of dollars)



5.2. OPERATING EXPENSES

- In 2011–12, salaries and employee benefits made up 75.0% of total operating expenses, compared to 72.0% in 2010–11. Although the ratio slightly increased, salaries and benefits decreased by 3.9% as compared to 2010–11 due to the successful implementation of CIHR's vacancy management process and the required adjustment for severance termination.
- Total operating expenses decreased by 7.5% in 2011–12 due to the implementation of fiscal restraint measures.
- The ratio of operating expenses to total expenses was 6.0% in 2011–12, consistent with prior fiscal years.

FINANCIAL OUTLOOK: 2012–13

On March 29, 2012, Minister of Finance James Flaherty tabled in Parliament the Government budget for fiscal year 2012–13. Budget 2012 lays out a plan for jobs, growth and long-term prosperity. In doing so, the Government is taking the necessary steps to reinforce the fundamental strength and promise of the Canadian economy in order to sustain economic growth, create the high-quality jobs of tomorrow, preserve social programs and sound public finances, and deliver continued prosperity for generations to come. More specifically, the Budget includes significant savings to be reinvested in priority areas, which will impact CIHR's outlook, as follows:

- Reductions of $15M in 2012–13, $30M in 2013–14, $30M in 2014–15 and ongoing;
- Additional funding of $15M in 2012–13 and ongoing for CIHR for its Strategy for Patient-Oriented Research.

CIHR is expected to continue to remain in good financial position as the Government of Canada returns to fiscal balance over the medium term. CIHR management anticipates that once all new funding initiatives are approved, its total Parliamentary authorities will decrease to $977.9M in 2012–13.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CANADIAN INSTITUTES OF HEALTH RESEARCH STATEMENT OF MANAGEMENT RESPONSIBILITY INCLUDING INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of the Canadian Institutes of Health Research (CIHR). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of CIHR's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in CIHR's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout CIHR and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

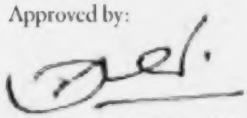
The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2012, was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.[1]

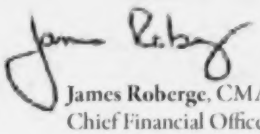
The effectiveness and adequacy of CIHR's system of internal control is documented by the Chief Financial Officer, who conducts periodic assessments of different areas of CIHR's operations, and reviewed by CIHR's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the President of CIHR and its Governing Council.

The Office of the Auditor General of Canada, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of CIHR which does not include an audit opinion on the annual assessment of the effectiveness of CIHR's internal controls over financial reporting.

Approved by:



Alain Beaudet, MD, PhD
President



James Roberge, CMA
Chief Financial Officer

Ottawa, Canada
June 26, 2012

[1] Summary of the Assessment of Effectiveness of the Systems of Internal Control over Financial Reporting and the Action Plan of the Canadian Institutes of Health Research for the Fiscal Year 2011–12 (Unaudited). www.cihr-irsc.gc.ca/e/45537.html.

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Canadian Institutes of Health Research and the Minister of Health

I have audited the accompanying financial statements of the Canadian Institutes of Health Research, which comprise the statement of financial position as at 31 March 2012, and the statement of operations and departmental net financial position, statement of change in departmental net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Institutes of Health Research as at 31 March 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lissa Lamarche, CA
Principal
for the Auditor General of Canada

26 June 2012
Ottawa, Canada

CANADIAN INSTITUTES OF HEALTH RESEARCH
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31

(in thousands of dollars)	2012	2011
		Restated (note 13)
Liabilities		
Accounts payable and accrued liabilities (note 4)	$ 3,872	$ 5,207
Vacation pay and compensatory leave	1,544	1,507
Deferred revenue (note 5)	6,357	7,590
Employee future benefits (note 6)	3,285	8,914
Total liabilities	**15,058**	**23,218**
Financial assets		
Due from the Consolidated Revenue Fund	$ 10,221	$ 12,789
Accounts receivable and advances (note 7)	554	701
Total financial assets	**10,775**	**13,490**
Departmental Net Debt	**$ 4,283**	**$ 9,728**
Non-financial assets		
Prepaid expenses	$ 595	$ 799
Tangible capital assets (note 8)	3,172	3,982
Total non-financial assets	**3,767**	**4,781**
Departmental net financial position	**$ (516)**	**$ (4,947)**

Contractual obligations (note 9)
Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements.

CANADIAN INSTITUTES OF HEALTH RESEARCH STATEMENT OF OPERATIONS AND DEPARTMENTAL NET FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2012	2012	2011
	Planned Results (note 2)		Restated (note 13)
Expenses			
Health Knowledge	$ 448,721	$ 469,075	$ 469,206
Health and Health Services Advances	264,453	283,056	288,728
Health Researchers	206,883	181,672	195,769
Health Research Commercialization	46,380	55,984	52,579
Internal Services	31,398	30,685	33,752
Total expenses	**997,835**	**1,020,472**	**1,040,034**
Revenues			
Health Knowledge	$ 4,760	$ 85	$ 138
Health and Health Services Advances	2,806	14,584	11,197
Health Researchers	2,195	86	79
Health Research Commercialization	492	2	48
Total revenues	**10,253**	**14,757**	**11,462**
Net cost of operations before government funding	**$ 987,582**	**$ 1,005,715**	**$ 1,028,572**
Government funding			
Net cash provided by Government		$ 1,005,601	$ 1,025,417
Change in due from the Consolidated Revenue Fund		(2,568)	(2,917)
Services provided without charge by other government departments (note 11)		7,113	6,691
Net cost of operations after government funding		**(4,431)**	**(619)**
Departmental net financial position – Beginning of Year		**(4,947)**	**(5,566)**
Departmental net financial position – End of Year		**$ (516)**	**$ (4,947)**

Segmented information (note 12)

The accompanying notes form an integral part of these financial statements.

CANADIAN INSTITUTES OF HEALTH RESEARCH
STATEMENT OF CHANGE IN DEPARTMENTAL NET DEBT

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2012	2011
		Restated (note 13)
Net Cost of Operations after government funding	**$ (4,431)**	**$ (619)**
Change due to tangible capital assets		
Acquisition of tangible capital assets	414	1,012
Amortization of tangible capital assets	(1,224)	(1,025)
Proceeds from disposal of tangible capital assets	–	(10)
Net loss on disposal of tangible capital assets	–	(3)
Total change due to tangible capital assets	**(810)**	**(26)**
Change due to prepaid expenses	(204)	553
Net decrease in departmental net debt	**(5,445)**	**(92)**
Departmental net debt – Beginning of year	**9,728**	**9,820**
Departmental net debt – End of year	**$ 4,283**	**$ 9,728**

The accompanying notes form an integral part of these financial statements.

CANADIAN INSTITUTES OF HEALTH RESEARCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)	2012	2011
		Restated (note 13)
Operating activities		
Net cost of operations before government funding	$ 1,005,715	$ 1,028,572
Non-cash items:		
Amortization of tangible capital assets	(1,224)	(1,025)
Loss on disposal of capital asset	–	(3)
Services provided without charge by other government departments (note 11)	(7,113)	(6,691)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(147)	10
Increase (decrease) in prepaid expenses	(204)	553
Decrease in accounts payable and accrued liabilities	1,335	194
Increase in vacation pay and compensatory leave	(37)	(32)
Decrease in deferred revenue	1,233	2,724
Decrease in future employee benefits	5,629	113
Cash used in operating activities	1,005,187	1,024,415
Capital activities		
Acquisitions of tangible capital assets	414	1,012
Proceeds on disposal of capital assets	–	(10)
Cash used in capital activities	**414**	**1,002**
Net cash provided by Government of Canada	**$ 1,005,601**	**$ 1,025,417**

The accompanying notes form an integral part of these financial statements.

CANADIAN INSTITUTES OF HEALTH RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

1. AUTHORITY AND OBJECTIVES

The Canadian Institutes of Health Research (CIHR) was established in June 2000 under the *Canadian Institutes of Health Research Act*, replacing the former Medical Research Council of Canada. It is listed in Schedule II to the *Financial Administration Act* as a departmental corporation.

CIHR's objective is to excel, according to international standards of scientific excellence, in the creation of new knowledge, and its translation into improved health, more effective health services and products, and a strengthened Canadian health care system. CIHR achieves these objectives through its strategic outcome of being a world-class health-research enterprise that creates, disseminates and applies new knowledge across all areas of health research. The strategic outcome is based on four program activities. The first program activity is Health Knowledge; these programs aim to support the creation of new knowledge across all areas of health research to improve health and the health system. The second, Health and Health Services Advances, aims to support the creation of new knowledge in strategic priority areas and its translation into improved health and a strengthened health system. The third program activity, Health Researchers, aims to build health research capacity to improve health and the health system by supporting the training and careers of excellent health researchers. The fourth, Health Research Commercialization, aims to support and facilitate the commercialization of health research to improve health and the health system.

CIHR is led by a President who is the Chairperson of a Governing Council of not more than nineteen other members appointed by the Governor in Council. The Governing Council sets overall strategic direction, goals and policies and oversees programming, resource allocation, ethics, finances, planning and accountability.

CIHR has thirteen Institutes that focus on identifying the research needs and priorities for specific health areas, or for specific populations, then developing strategic initiatives to address those needs. Each Institute is led by a Scientific Director who is guided by an Institute Advisory Board, which strives to include representation of the public, researcher communities, research funders, health professionals, health policy specialists and other users of research results.

CIHR's grants, awards and operating expenditures are funded by budgetary authorities. Employee benefits are funded by statutory authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities – CIHR is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CIHR does not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2011–12 Report on Plans and Priorities.

(b) Net cash provided by Government – CIHR operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CIHR is deposited to the CRF and all cash disbursements made by CIHR are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

(c) Amounts due from the CRF are the result of timing differences at year end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that CIHR is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.
- Funds that have been received are recorded as deferred revenue, provided CIHR has an obligation to other parties for the provision of goods, services, or the use of assets in the future.
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

(e) Expenses – Expenses are recorded on the accrual basis:

- Grants and awards (transfer payments) are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Refunds of previous years' expenses – These amounts include the return of grants and awards funds to CIHR in the current fiscal year for expenses incurred in previous fiscal years due to cancellations; refunds of previous years' expenses related to goods or services; and adjustments of previous years' accounts payable. These refunds and adjustments are presented against the related expenses in the financial statements but are recorded as revenue in accordance with accounting policies and therefore are excluded when determining current year authorities used.

(g) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer defined benefit pension plan administered by the Government. CIHR's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. CIHR's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- Severance benefits: Prior to October 2, 2011, CIHR executives and non-represented employees were entitled to severance benefits under labour contracts or conditions of employment for voluntary and involuntary departures. These benefits were accrued as employees rendered the services necessary to earn them. Effective October 2, 2011, CIHR non-represented employees and executives were no longer eligible to accrue severance benefits for voluntary departures (e.g. resignation and retirement). Employees were provided with three options in relation to the severance termination provisions, such as the immediate payout of the accumulated weeks of severance at their current rate of pay, retain the accumulated weeks of severance with a payout upon termination of employment with CIHR or retirement at their exit rate of pay, or a combination thereof. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Severance benefits continue to accrue for involuntary departures, however, benefits payable would be reduced by the severance termination option exercised for service up to and including October 1, 2011, should an involuntary departure occur.

(h) Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables and advances where recovery is considered uncertain.

(i) Contingent liabilities – Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(j) Tangible capital assets – All tangible capital assets having an individual initial cost of $5,000 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset class	Amortization period
Informatics hardware	3–5 years
Informatics software	3–10 years
Office equipment	10 years
Vehicles	5 years

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(k) Measurement uncertainty – The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. PARLIAMENTARY AUTHORITIES

CIHR receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, CIHR has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)	2012	2011
		Restated (note 13)
Net cost of operations before government funding	**$ 1,005,715**	**$ 1,028,572**
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(1,224)	(1,025)
Loss on disposal of capital assets	–	(3)
Services provided without charge by other government departments	(7,113)	(6,691)
Increase in vacation pay and compensatory leave	(37)	(32)
Decrease in employee future benefits	5,629	113
Refunds of previous years' grants and awards	5,825	4,203
Other adjustments	85	169
	3,165	(3,266)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	414	1,012
Increase (Decrease) in prepaid expenses	(204)	553
	210	1,565
Current year authorities used	**$ 1,009,090**	**$ 1,026,871**

(b) Authorities provided and used

(in thousands of dollars)	2012	2011
		Restated (note 13)
Authorities Provided:		
Vote 20 - Operating expenditures	$ 55,908	$ 54,255
Vote 25 - Grants	952,647	969,215
Statutory amounts	6,662	6,453
Less:		
Authorities available for future years	(2,117)	–
Frozen allotments	(2,093)	–
Lapsed: Operating	–	(666)
Lapsed: Grants	(1,917)	(2,386)
Current year authorities used	**$ 1,009,090**	**$ 1,026,871**

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table presents details of CIHR's accounts payable and accrued liabilities:

(in thousands of dollars)	2012	2011
		Restated (note 13)
Accounts payable – Other government departments and agencies	$ 1,493	$ 1,732
Accounts payable – External parties	914	1,298
Total accounts payable	2,407	3,030
Accrued liabilities	1,465	2,177
Total accounts payable and accrued liabilities	**$ 3,872**	**$ 5,207**

5. DEFERRED REVENUE

Deferred revenue represents the balance at year end of unearned revenues stemming from amounts received from external parties that are restricted in order to fund the expenditures related to specific research projects and stemming from amounts received for fees prior to services being performed. Revenue is recognized in the period that these expenditures are incurred or in which the service is performed. Details of the transactions related to this account are as follows:

(in thousands of dollars)	2012	2011
		Restated (note 13)
Opening balance	**$ 7,590**	**$ 10,314**
Amounts received	13,524	8,738
Revenue recognized	(14,757)	(11,462)
Closing balance	**$ 6,357**	**$ 7,590**

6. EMPLOYEE FUTURE BENEFITS

(a) Pension benefits:

CIHR's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and CIHR contribute to the cost of the Plan. The 2011–12 expense (in thousands of dollars) amounts to $4,790 ($4,530 in 2010–11) which represents approximately 1.8 times (1.9 times in 2010–11) the contributions by employees.

CIHR's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

CIHR provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, estimated as at the date of these statements, is as follows:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment of CIHR executives and non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing 2011–12. Employees subject to these changes have been given the option to be immediately paid in full or partial value of benefits earned to date or collect the full remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

(in thousands of dollars)		2012		2011
				Restated (note 13)
Accrued benefit obligation – Beginning of year	**$**	**8,914**	**$**	**9,027**
Expense for the year		(3,109)		233
Benefits paid during the year		(2,520)		(346)
Accrued benefit obligation – End of year	**$**	**3,285**	**$**	**8,914**

CIHR reduced its severance liability in 2011–12 by $3,109,000 as a result of changes made to its severance benefit entitlements under its conditions of employment. This reduction was required to better reflect CIHR's current severance liability given these changes. The use of the government-wide actuarial assumptions for calculating the severance liability was not reflective anymore of CIHR's severance liability.

Severance payments in 2012–13 amount to $1,146,000.

7. ACCOUNTS RECEIVABLE AND ADVANCES

The following table presents details of CIHR's accounts receivable and advances balances:

(in thousands of dollars)		2012		2011
				Restated (note 13)
Receivables - Other government departments and agencies	$	124	$	266
Receivables - External parties		232		261
Accountable advances		203		186
Subtotal		559		713
Allowance for doubtful accounts on receivables from external parties		(5)		(12)
Net accounts receivable	**$**	**554**	**$**	**701**

8. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)

	Cost				Accumulated amortization				Net Book Value	
Capital asset class	Opening balance	Acquisitions	Disposals and write-offs	Closing balance	Opening balance	Amortization	Disposals and write-offs	Closing balance	2012	2011 Restated (note 13)
Informatics hardware	$ 2,883	$ 20	$ –	$ 2,903	$ 2,289	$ 237	$ –	$ 2,526	$ 377	$ 594
Informatics software	11,079	394	–	11,473	8,011	932	–	8,943	2,530	3,068
Office equipment	570	–	–	570	274	51	–	325	245	296
Vehicles	28	–	–	28	4	4	–	8	20	24
Total	**$14,560**	**$ 414**	**$ –**	**$14,974**	**$10,578**	**$ 1,224**	**$ –**	**$11,802**	**$ 3,172**	**$ 3,982**

Amortization expense (in thousands) for the year ended March 31, 2012 is $1,224 (2011 - $1,025).

9. CONTRACTUAL OBLIGATIONS

The nature of CIHR's activities can result in some large multi-year contracts and obligations whereby CIHR will be obligated to make some future payments in order to carry out its grants and awards payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

Contractual Obligations	2013	2014	2015	2016	2017 and thereafter	Total
Grants	$ 806,250	$ 606,851	$ 408,187	$ 225,420	$ 147,242	**$ 2,193,950**
Operating expenditures	2,879	133	34	1	–	**3,047**
Total	**$ 809,129**	**$ 606,984**	**$ 408,221**	**$ 225,421**	**$ 147,242**	**$ 2,196,997**

10. CONTINGENT LIABILITIES

A legal suit for employment equity was initiated by the Public Service Alliance of Canada against Her Majesty the Queen naming certain separate employer organizations of the Government of Canada, including the Canadian Institutes of Health Research (CIHR), as defendants. The amount of this claim, as it relates to CIHR, is estimated to be $747,000. In management's opinion, the outcome of this litigation is not presently determinable and no estimated liability has been accrued or expense recorded in the financial statements.

CIHR may be subject to other claims in the normal course of business. In management's view, these claims do not have any material impact on the financial statements and consequently, no provision has been made for these claims.

11. RELATED PARTY TRANSACTIONS

CIHR is related as a result of common ownership to all Government departments, agencies and Crown Corporations. CIHR enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, CIHR received common services which were obtained without charge from other Government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year, CIHR received services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in CIHR's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2012	2011
		Restated (note 13)
Accommodation provided by Public Works and Government Services Canada	$ 3,605	$ 3,450
Employer's contribution to the health and dental insurance plans provided by Treasury Board Secretariat	3,508	3,241
Total	**$ 7,113**	**$ 6,691**

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works Government Services Canada and audit services provided by the Office of the Auditor General of Canada are not included in CIHR's Statement of Operations and Departmental Net Financial Position.

(b) Administration of CIHR funds by other government departments

Other federal departments and agencies administer funds on behalf of CIHR to issue grants, awards and related payments. Other federal departments and agencies are forecasted to administer $98,472,582 in funds for grants and awards ($95,322,985 in 2010–11), primarily pertaining to the Canada Research Chairs program. These expenses are reflected in CIHR's Statement of Operations and Departmental Net Financial Position.

12. SEGMENTED INFORMATION

Presentation by segment is based on CIHR's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	2012						2011
	Health Knowledge	Health and Health Services Advances	Health Researchers	Health Research Commercial-ization	Internal Services	Total	Total Restated (note 13)
Transfer payments							
Grants and Awards	$ 459,823	$ 270,316	$ 179,807	$ 55,328	$ –	$ 965,274	$ 978,291
Refunds of previous years' grants and awards	(3,011)	(1,185)	(1,561)	(68)	–	(5,825)	(4,203)
Total transfer payments	456,812	269,131	178,246	55,260	–	959,449	974,088
Operating Expenses							
Salaries and employee benefits	8,800	11,189	3,091	634	22,057	45,771	47,612
Professional and special services	509	696	50	4	2,370	3,629	6,692
Accomodation	750	845	198	37	1,774	3,604	3,450
Travel	1,923	935	72	45	370	3,345	3,338
Other	232	128	15	4	1,537	1,916	1,363
Amortization of tangible capital assets	–	–	–	–	1,224	1,224	1,026
Communication	42	119	–	–	897	1,058	1,191
Furniture, equipment and software	7	13	–	–	456	476	1,274
Total operating expenses	12,263	13,925	3,426	724	30,685	61,023	65,946
Total expenses	469,075	283,056	181,672	55,984	30,685	1,020,472	1,040,034
Revenues							
Donations for health research	85	14,584	86	–	–	14,755	11,462
Endowments for health research	–	–	–	2	–	2	–
Total revenues	85	14,584	86	2	–	14,757	11,462
Net cost from continuing operations	**$ 468,990**	**$ 268,472**	**$ 181,586**	**$ 55,982**	**$ 30,685**	**$1,005,715**	**$1,028,572**

13. ACCOUNTING CHANGES

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to CIHR's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010–11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, CIHR now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Government funding, as well as the credit related to services provided without charge by the other government departments, are now recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding." In previous years, CIHR recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding by $1,010,146 for 2012 ($1,029,191 for 2011).

14. COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform to the current year's presentation.